

TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Robin Madison

DATE: January 2, 2015

Monthly General Fund Receipts through December 31, 2014

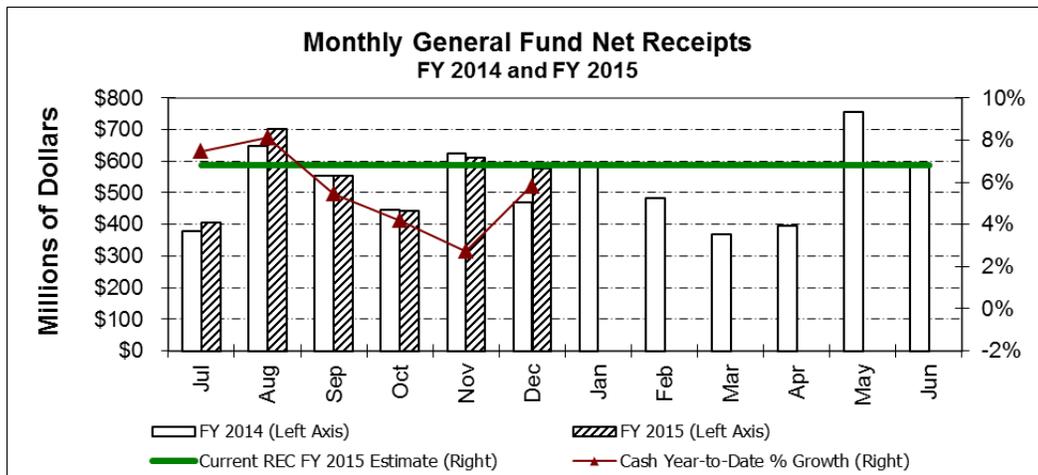
The attached spreadsheet presents FY 2015 General Fund total net receipts with comparable figures for actual FY 2014. The figures can be compared to the FY 2015 estimate of \$6.730 billion set by the Revenue Estimating Conference (REC) on December 12, 2014. The FY 2015 estimate is an increase of \$429.9 million (6.8%) compared to actual FY 2014 total net receipts (excludes transfers). The next REC meeting has not been scheduled.

FY 2015 Monthly Estimate Comparison - Dollars in Millions						
Most Recent REC Projected Growth for the Year, Excluding Transfers = 6.8%						
Year-to-Date Ending:	Year-to-Date FY 2014	Year-to-Date FY 2015	Dollar Change	% Change	Year-to-Date Change at REC Estimate for the Entire Year	Year-to-Date Above (Below) Estimated Change
July	\$378.2	\$406.6	\$28.4	7.5%	\$25.8	\$2.6
Aug	1,026.1	1,109.5	83.4	8.1%	70.0	13.4
Sept	1,579.2	1,665.4	86.2	5.5%	107.8	-21.6
Oct	2,024.0	2,108.9	84.9	4.2%	138.1	-53.2
Nov	2,647.9	2,719.9	72.0	2.7%	180.7	-108.7
Dec	3,115.9	3,298.0	182.1	5.8%	212.6	-30.5
Jan	3,708.0					
Feb	4,191.8					
Mar	4,558.9					
Apr	4,954.0					
May	5,710.0					
Jun	6,293.5					
Year end	6,300.1					

Overview of Current Situation

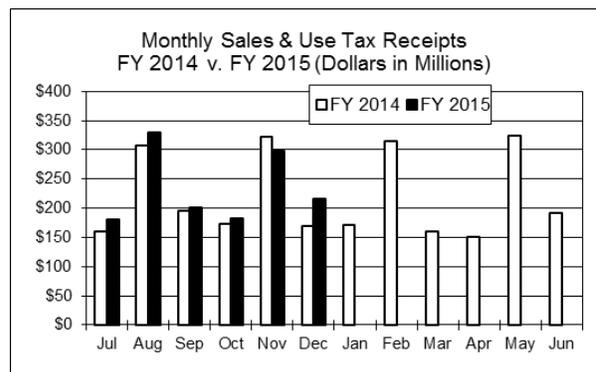
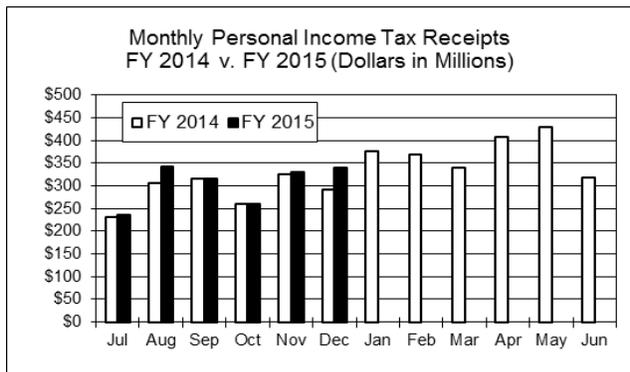
December 2014 net General Fund revenue was \$109.8 million (23.5%) above the December 2013 revenue level. Year-to-date net tax receipts are \$182.1 million (5.8%) more than FY 2014. Major sources of tax revenue and their contribution to the FY 2015 change include:

- Personal income tax (positive \$92.9 million, 5.4%)
- Sales/use tax (positive \$77.1 million, 5.8%)
- Corporate tax (negative \$3.0 million, -1.1%)
- Other taxes (negative \$0.4 million, -0.3%)
- Other receipts (negative \$4.3 million, -3.4%)
- Tax refunds not including school infrastructure refunds (positive \$8.6 million)
- School infrastructure sales/use tax refunds (positive \$11.2 million)



Personal Income Tax revenue received in December totaled \$341.1 million, an increase of \$49.0 million (16.8%) compared to December 2013. Due to the location of the Thanksgiving holiday in relation to the end of November this year, the deposit of approximately \$16.0 million in individual income tax revenue was delayed from November and instead deposited December 1 this year. This accounts for about 33.0% of the December income tax increase.

The FY 2015 REC income tax estimate of \$4.202 billion represents a projected increase of 5.7% compared to actual FY 2014. Through December, personal income tax receipts have increased \$92.9 million (5.4%). By subcategory, withholding payments increased \$94.3 million (6.3%), estimate payments are up \$4.5 million (2.5%), and payments with returns increased \$5.9 million (-9.5%). The following chart compares FY 2015 monthly income tax receipts from the three personal income tax subcategories with FY 2014.



Sales/Use Tax receipts received in December totaled \$216.8 million, an increase of \$46.7 million (27.5%) compared to December 2013. Due to the location of the Thanksgiving holiday in relation to the end of November this year, the deposit of approximately \$26.0 million in sales tax revenue was delayed from November and instead deposited December 1 this year. This accounts for about 56.0% of the December sales/use tax increase.

The REC estimate for FY 2015 sales/use tax receipts is \$2.757 billion, an increase of 4.4% compared to actual FY 2014. Year-to-date sales/use tax receipts total \$1,406.8 million, an increase of \$77.1 million (5.8%) compared to FY 2014. The preceding chart compares FY 2015 monthly sales/use tax receipts with FY 2014.

Corporate Tax receipts received in December totaled \$82.5 million, an increase of \$12.3 million (17.5%) compared to December 2013.

The REC estimate for FY 2015 corporate tax revenue is \$570.7 million, an increase of 3.8% compared to actual FY 2014. Through December, corporate tax receipts have decreased \$3.0 million (-1.1%).

Other tax receipts received in December totaled \$19.8 million, an increase of \$2.8 million (16.5%) compared to December 2013.

The REC estimate for FY 2015 other tax revenue is \$248.7 million, a decrease of 2.9% compared to actual FY 2014. Through December, other tax receipts have decreased 0.3%.

Other receipts (nontax receipts) received in December totaled \$17.5 million, an increase of \$2.0 million (12.9%) compared to December 2013.

The REC estimate for FY 2015 other receipts revenue is \$279.5 million, a decrease of 3.3% compared to actual FY 2014. Year-to-date other receipts have decreased 3.4%.

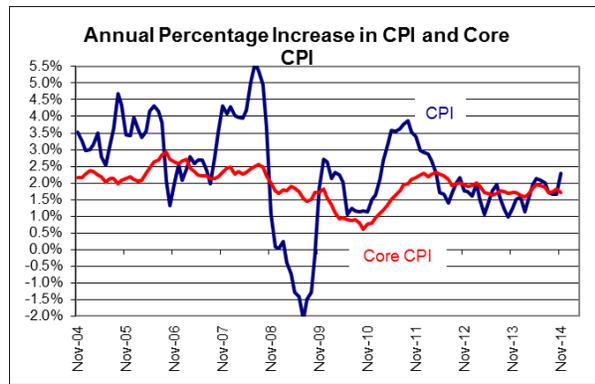
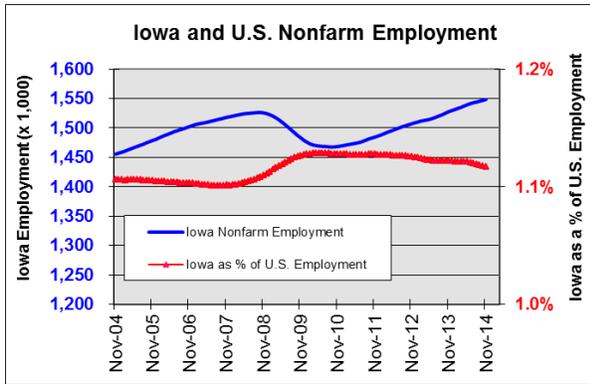
Tax Refunds issued in December totaled \$68.6 million, an increase of \$8.0 million compared to December 2013. In addition, school infrastructure refunds totaled \$30.9 million, a decrease of \$5.3 million compared to December 2013.

Status of the Economy

Iowa nonfarm employment was reported at 1,579,100 for the month of November (not seasonally adjusted), 17,300 higher (1.1%) than November 2013.

Iowa's 12-month average employment is presented as the blue line on the following graph. Iowa's average nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession (January 2001). The current 12-month average reading is now 1,548,400, resulting in an annual average Iowa nonfarm employment level 22,000 above the October 2008 peak.

The employment chart also presents Iowa nonfarm employment as a percent of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Iowa's percent of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010 and currently is at its lowest level since March 2009.



The Consumer Price Index (CPI-U) through November 2014 was 238.4 (1983/84=100). Consumer prices increased 0.42% in November (not seasonally adjusted) and the annual rate of inflation increased to 2.3% from the previous month's level of 1.7%.

Core CPI, an inflation measure excluding food and energy expenditures, decreased slightly (-0.1%) in November and stood at 1.7% year-over-year. The annual rate of core inflation has been at or below 2.0% since July 2012. For the two components excluded from the core rate, energy prices are down 4.8% year-over-year, while food prices are up 3.1%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <https://www.legis.iowa.gov/receipts/daily.html>

GENERAL FUND RECEIPTS - FY 2014 vs. FY 2015 July 1 through December 31 (in millions of dollars) Dollars may not add due to rounding. Percent ages calculated on rounded numbers.					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 14 Actual Compared to FY 15 REC Estimate		
	FY 2014	FY 2015	Year to Date % Change	December % Change	Actual FY 2014	Estimate FY 2015	Projected % Change
Personal Income Tax	\$ 1,733.1	\$ 1,826.0	5.4%	16.8%	\$ 3,974.9	\$ 4,202.1	5.7%
Sales/Use Tax	1,329.7	1,406.8	5.8%	27.5%	2,642.3	2,757.4	4.4%
Corporate Income Tax	267.5	264.5	-1.1%	17.5%	549.6	570.7	3.8%
Inheritance Tax	49.7	47.6	-4.2%	-13.3%	91.0	91.0	0.0%
Insurance Premium Tax	48.9	52.3	7.0%	0.0%	105.6	104.8	-0.8%
Cigarette Tax	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
Tobacco Tax	1.4	0.0	-100.0%	0.0%	1.4	0.0	-100.0%
Beer Tax	7.5	7.8	4.0%	40.0%	14.1	14.1	0.0%
Franchise Tax	22.3	21.6	-3.1%	54.1%	42.9	37.6	-12.4%
Miscellaneous Tax	0.4	0.5	25.0%	0.0%	1.2	1.2	0.0%
Total Gross Taxes	\$ 3,460.6	\$ 3,627.1	4.8%	20.1%	\$ 7,423.0	\$ 7,778.9	4.8%
Institutional Payments	6.8	7.3	7.4%	-42.9%	12.8	10.9	-14.8%
Liquor Profits	49.3	52.2	5.9%	45.1%	96.6	97.7	1.1%
Interest	1.6	1.6	0.0%	25.0%	3.4	3.4	0.0%
Fees	13.1	12.4	-5.3%	20.8%	28.8	28.1	-2.4%
Judicial Revenue	40.6	37.2	-8.4%	-21.2%	104.0	100.0	-3.8%
Miscellaneous Receipts	15.5	11.9	-23.2%	29.4%	43.4	39.4	-9.2%
Racing and Gaming Receipts	0.0	0.0	0.0%	0.0%	0.0	0.0	N.A.
TOTAL GROSS RECEIPTS	\$ 3,587.4	\$ 3,749.7	4.5%	19.9%	\$ 7,712.0	\$ 8,058.4	4.5%
Accrued Revenue-Net**					-16.2	26.4	
Tax Refunds *	-222.8	-214.2	-3.9%	13.2%	-955.3	-903.6	-5.4%
School Infrast. Refunds *	-248.7	-237.5	-4.5%	-14.6%	-440.4	-451.2	2.5%
TOTAL NET RECEIPTS	\$ 3,115.9	\$ 3,298.0	5.8%	23.5%	\$ 6,300.1	\$ 6,730.0	6.8%

* For FY 2014 and FY 2015 Year-to-Date columns, refunds are presented on a cash basis. For FY 2014 Actual and FY 2015 Estimate, refunds are presented on a fiscal year basis.